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December 15, 1997

Ms. Cynthia L. Johnson, Director  
Cash Management and Planning Division  
Financial Management Service  
U.S. Department of the Treasury  
401 14th Street, S.W. Room 420  
Washington, D.C. 20227

**Re: Management of Federal Agency Disbursements**

Dear Ms. Johnson:

On behalf of the more than 700 credit unions in California and Nevada, the California and Nevada Credit Union League (the League) strongly support Treasury's efforts in delivering federal benefit payments by electronic funds transfer (EFT) and in bringing millions of "unbanked" Americans into the mainstream of the financial services system.

As member-owned, volunteer-directed financial cooperatives meeting the financial services needs of low and moderate-income Americans, credit unions are ready to meet this challenge of educating these "cash consumers" of the benefits of becoming a part of the American financial system. One of the original missions of credit unions is to educate its members about the financial services system, in general, and how to be good consumers within that system, specifically.

Furthermore, as cooperative entities, credit unions' incentive for service comes from striving to meet the needs of their member-owners, not the profits for their shareholders. We believe that credit unions should be given strong consideration as the financial institutions selected by Treasury to provide access to an insured account receiving the federal benefit payments.

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The League appreciates the opportunity to participate in the community outreach initiative meeting held in Los Angeles on December 8 at the Federal Reserve Bank of San Francisco's Los Angeles Branch. As the new year begins and the January 2, 1999 implementation date comes nearer, we encourage Treasury to continue these meetings outside of Washington to enable credit unions and other groups to participate without the costs of traveling to the nation's capitol.

#### **Section 208.2 (b) "Authorized Payment Agent"**

We support this definition as it relates to an agent of the individual receiving federal benefit payments. This will enable those recipients of federal payments, not able to transact their financial affairs independently because of age or incapacity, to designate other individuals or entities to act on their behalf.

Within the Supplementary Information discussing this section, Treasury discusses the differences between "authorized payment agents" and "authorized agents." We strongly support the requirement that the financial entity receiving EFT from Treasury on behalf of the federal payment recipients be a financial institution as defined within the regulation. These financial institutions, including all federally and state chartered credit unions, are required to comply with all consumer protection laws and regulations. Thus, Treasury and the recipients would be assured that the recipients would be afforded the same consumer protection as other members and customers of the financial institutions.

#### **Section 208.2 (e) "Financial Institution"**

The League supports the definition as proposed in the regulations. This would enable all federally and state chartered credit unions to participate in this important program.

Throughout the proposal, Treasury refers to "federally insured financial institutions." While most credit unions have federal insurance through the



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National Credit Union Share Insurance Fund (NCUSIF) in California and Nevada, some are insured a well-run, well-capitalized private deposit insurer. We believe that privately-insured credit unions should not be denied an opportunity to be selected as the providers of the accounts for those federal benefit payment recipients without accounts at financial institutions. Many of these credit unions have reserves equal to or greater than those with federal insurance and should be provided the opportunity to fully participate in this project.

#### **Section 208.4 "Waivers"**

While we believe that most recipients of federal benefits payments would best be served with "Direct Deposit" of their funds into an account at a financial institution, the waiver option must be available for those individuals for whom Direct Deposit would not be practicable. The League supports the waiver categories as contained within the proposed rule as good for the individuals, Treasury and financial institutions.

#### **Section 208.5 "Access to account provided by Treasury"**

The League strongly supports Treasury's statement that the government should not mandate the terms, conditions and fees of accounts at financial institutions in order to provide access to those "unbanked" or "cash consumers" without accounts at financial institutions. Credit unions, banks and savings associations must be able to set the fees and dividend (interest) rates on accounts according to the needs of their consumers and of the institution itself. We believe that in most cases, credit unions will be the best option for consumers for lower fees and higher rates, but it is best left for the consumer to decide which institution and which account best meets their needs.

Additionally, we support Treasury's approach to engage one or more financial institutions to act as the Treasury's financial agent in providing accounts to these recipients. Furthermore, credit unions are uniquely positioned to provide these



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accounts at reasonable fees, while providing the electronic services that many consumers enjoy and enjoy, and at the same time, give the personal service that is at their foundation.

Credit unions would be able to provide these individuals with the consumer protections afforded other members (erroneous claims by the for-profit banking industry that credit unions are not required to follow the same federal regulations protecting consumers as banks notwithstanding). In addition, credit unions would be able to take the time and resources to educate these individuals about using financial services wisely, provide them with affordable access to loans and bring them fully into the financial services system.

This account should be created providing the individuals with adequate access to their funds (over-the-counter, ATMs, POS) within a reasonable cost structure. Access to this account should be via the same plastic debit (ATM) cards that most credit unions offer to their members for access to their accounts. The cost structure should consider the current fees paid by these federal benefit recipients who utilize alternatives to financial institutions, such as check cashing companies and markets (including liquor stores).

We believe that this account should allow other deposits into the account (at no charge or small fee) to further encourage these individuals to become part of the financial system. If access to deposits is not permitted, then they will need to use other non-financial institution alternatives to cash other checks that they may receive on a periodic or irregular basis and would defeat the intent of this program.

While we would encourage credit unions taking part in offering these accounts to offer a low-cost starter savings account to encourage savings , we would object to Treasury making it a mandate in the final rule.



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While credit unions may not operate within a broad geographic reach of the individuals utilizing this account, many participate in programs that allow greater access for their members outside their physical branch presence. In California and Nevada, credit unions have come together to build ATM networks that accept deposits at credit union ATMs other than the member's own credit union. Also, credit unions have created a shared branch network which allows similar access for the members inside the branch locations of other credit unions. Through these and other vehicles available, credit unions are viable candidates for selection as providers of these accounts.

#### **Section 208.6 "Account Requirements"**

We support this section of the regulation requiring the funds to be deposited into an account in the name of the recipient at a financial institution unless one of the listed exceptions applies. These are the current rules for ACT transactions and would not increase the burden on credit unions.

As stated earlier, we support Treasury's efforts in not regulating the prices charged by credit unions and other financial institutions for the products and services provided to consumers. We also support Treasury's obligation to ensure that accounts opened for individuals by Treasury have adequate access to the funds at a reasonable cost. This would enable recipients to determine for themselves whether or not an account is in their best interests or whether they should select a different institution which would offer better services at a lower price.

#### **Conclusion**

Thank you for this opportunity to provide our comments on this important issue impacting millions of Americans and every financial institution for the next two years. Credit unions stand ready to meet the challenge of bringing those consumers currently without accounts at credit unions or other financial



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institutions into the mainstream of the American financial services system. Credit unions are dedicated to providing their member-owners with reasonably-priced financial services and products and educating them to become informed consumers without the demands placed on other organizations for ever-increasing profits to meet shareholder and investment community requirements.

If the League, its staff or member credit unions can assist Treasury in this program, please do not hesitate to contact us.

Sincerely,

A handwritten signature in black ink, appearing to read 'David Chatfield'. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

David Chatfield  
President/CEO